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**Bolivia**

**Agricultural Situation**

**Annual**

**2004**

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**Report Highlights:**

Soybean production is rapidly increasing due to stronger prices and is forecast at 1.75 MMT for CY2004. Soybeans are by far Bolivia's most important crop, accounting for about 27 percent of all exports (ag. and non ag.)

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Includes PSD Changes: No

Includes Trade Matrix: No

Unscheduled Report

Lima [PE1]

[BL]

## Introduction

After twelve years of moderate economic growth, the Bolivian economy has faced an economic slowdown since 1999. The country's economic growth rate dropped from an average of 4.5 percent annually to only 2.3 percent in 2000, around 1.2 percent in 2001 and 2.5 percent in 2002. Factors contributing to the slowdown include lower export prices, unfortunate weather conditions and an international financial crisis in the region. GDP per capita for the last three years also declined. GDP per capita for 2001 was estimated at \$977, with an even slightly lower per capita GDP – \$953 – in 2002. This downward trend continued through 2003.

With a population of eight million people, Bolivia is the poorest country in South America. Bolivia's successive administrations since the hyperinflationary period of the early 1980s have maintained fiscal and monetary discipline and thereby successfully avoided recurrences of the scourge of uncontrolled inflation. By 1993-94, the government was able to bring inflation in consumer prices down to single digits.

While Bolivia was able to reduce significantly its fiscal deficit in the mid-1990s, pension reforms in 1998, as well as poor performance of the economy as a whole, caused the fiscal deficit to rise in 2001 to 6.5 percent of GDP. In 2002, the deficit stood at 8.7 percent of GDP.

Bolivia's chronic poverty and public indebtedness remain daunting challenges. A large percentage (estimates range between 65 and 85 percent) of the population lives outside the formal economy, while many more face the grinding reality of securing a livelihood through small-scale agriculture. Successive Bolivian administrations have worked with international financial institutions (IFIs) and bilateral donor agencies to improve the lives of Bolivia's poorest citizens.

The three major sectors of the Bolivian economy are energy, mining, and agriculture. Bolivia has the second-largest gas reserves in South America and is actively seeking new markets. The country exports gas to Sao Paulo, Brazil, via the Bolivia-Brazil Pipeline, and to Cuiaba, Brazil, via a smaller pipeline. Both pipelines should allow gas exports to increase eventually, though the terms of export are currently being renegotiated by the two countries. The overall level of gas exports to Brazil has been disappointing. A consortium of international companies is exploring the possibility of exporting Bolivian gas through a liquefied natural gas (LNG) project to California.

Although mining remains an important economic sector, mining investment has been sluggish due to low world prices for metals, registering \$28 million in 2000, \$32.3 million in 2001 and \$11.5 million in 2002. As a result of new technologies employed by international mining firms, significant new silver and zinc deposits have been discovered in Potosi, home of the famed "Cerro Rico" ("Rich Hill") that fueled Spanish colonization efforts in the 16th Century. The mining sector continues to be an important source of employment for many poor Bolivians. While companies continue to discover and upgrade ore reserves, any improvement of the mining sector will depend largely on higher world prices.

The agricultural sector has experienced impressive growth as land in the Department of Santa Cruz is being shifted increasingly to the production of soy, sunflower seed, and sugar. Bolivia exports soy and oilseed products, principally to Colombia and Venezuela under the Andean Community tariff regime. The agricultural sector, principally in the Santa Cruz region, enjoyed annual growth rates of over 9 percent between 1994 and 1998, but dropped to less than 1.5 percent growth during 1999 and 2001. In 2002 the sector grew by 0.6 percent. Bolivian farmers have faced a credit crunch in recent years, causing some farmers contract crops to processing facilities as a form of financing, with the consequent high interest rates, a situation exacerbated by economic stagnation since 1999, with yearly financing estimates running as high as \$50 million. New investments and new technologies in this sector could greatly boost future production.

## Situation and Outlook by Commodity Grouping

The following summary by major commodities is intended to provide a general overview of Bolivia's current agricultural situation.

### Oilseeds

#### *Soybeans*

Accounting for 27 percent of total exports, soybean is by far the most important crop in Bolivia. With favorable plenty water during the planting season, Bolivia's soybean production is expected to increase sharply from 1.2 million metric tons in 2002 and 2003 to 1.75 MMT in 2004 (1.2 in the summer crop and 550,000 MT in the winter crop). This increase is caused by higher international prices, which has resulted in a planted area increase in detriment of other crops.

Bolivia exports about 200,000 metric tons of whole soybeans, 100,000 metric tons are used for seeds and other uses and about 950,000 metric tons are processed into soybean meal and oil. Soybean exports are around 350,000 metric tons and soyoil exports are 580,000 metric tons. Bolivia's most important soy markets are Venezuela, Colombia and Peru.

Producers were very positive about GMO research carried out in Bolivia by Monsanto (in soybeans and cotton), but constant complaints from consumer associations in La Paz ended these investigations. Farmers consider that the use of GMO could lower production costs and increase productivity.

Nevertheless, they are also studying the possibility of keeping Bolivia GMO free, to market all their products as non-GMO. In fact, there is a new crushing plant in Santa Cruz, "Bio Crush", that has started to produce and market nonGMO organic soybean oil. This plant is a joint venture between Bolivian, Brazilian and Swedish investors. Bolivian soybean producers are looking at marketing their products as conventional non GMO.

	<b>Harvested Area (1000 hectares)</b>	<b>Yields (MT/Ha)</b>	<b>Production (1000 MT)</b>
1999	609	1.71	1041
2000	565	1.68	950
2001	615	1.76	1080
2002	620	1.93	1200
2003	625	1.92	1200

## *Sunflower*

Sunflower production in Bolivia, specifically in the Santa Cruz region, is a winter alternative for rotating summer crops (soybean, corn, cotton, sorghum). Since producers are planting more soybeans in the winter, planted area of sunflower has fallen from 177,000 hectares in CY 2001 to 67,600 in 2003. Sunflower production in CY2003 was 92,000 MT. Since sunflower is a rotating crop, area and production may vary sharply from year to year depending on what farmers feel would give them higher returns on their investment.

	<b>Harvested Area (1000 hectares)</b>	<b>Yields (MT/Ha)</b>	<b>Production (1000 MT)</b>
1999	130	0.85	110
2000	135	1.11	150
2001	178	0.97	173
2002	150	1.05	157
2003	67	1.35	92

## Grains and Feeds

### *Wheat*

Despite producers' association efforts to increase wheat production, which include a farming and marketing training program, wheat production in Bolivia continues falling. Wheat was once thought to be the future star product in Bolivian agriculture, but lower than expected yields, about 0.95 MT tons per hectare, and low prices have dampened farmers' enthusiasm. Wheat production in Bolivia takes place in the Santa Cruz region. Area planted in 2003 was 27,0000 hectares and production about 32,000 MT, (down from 120,000 in 1997). Area and production are expected to remain at those levels in CY2004. All this wheat is milled and consumed in the same region, the rest of the country depends mainly on imported wheat. Total wheat consumption is about 480,000 MT. Flour consumption in Bolivia for CY 2004 is forecast at about 380,000 MT.

Year	Harvested Area (1000 hectares)	Yields (MT/Ha)	Production (1000 MT)
1999	38	0.95	38
2000	32	1.63	52
2001	53	1.19	63
2002	30	1.16	35
2003	27	1.18	32

### *Rice*

Rice in Bolivia is produced on the low lands of the eastern slopes of the Andes during the summer planting season for harvest in April/May. With a harvested area of 112,000 hectares and yields averaging 2.55 metric tons per hectare, production for 2004 is estimated at 286,000 MT. Due to a low per capita consumption, only about 24 kilograms per annum, Bolivia does not normally need to import rice.

Year	Harvested Area (1000 hectares)	Yields (MT/Ha)	Production (1000 MT)
2000	116	2.00	231
2001	104	2.53	263
2002	80	2.50	200
2003	95	2.42	230
2004	112	2.55	286

### *Corn*

Yellow corn consumption in Bolivia is directly related to consumption of poultry meat, which is very low. Most corn is planted under contract with poultry producers. Corn production is forecast at 350,000 MT in 2004. Some corn growers have begun to sell their crop as soon as they plant it, while others do not even plant without a contract. This rudimentary "futures market" transaction is helping increase corn prices for growers and, at the same time, bringing prices down for poultry producers. Since transportation costs for imports are expensive into Bolivia, international prices do not greatly affect final prices of corn.

Year	Harvested Area (1000 hectares)	Yields (MT/Ha)	Production (1000 MT)
1999/2000	103	2.63	272
2000/2001	104	3.05	317
2001/2002	110	3.00	330
2002/2003	107	2.90	310
2003/2004	109	3.20	350

## Cotton

Cotton production is forecast at 40,000 MT in 2004, a sharp decrease from 65,000 MT in 2003. Cotton production has been decreasing in the last three years due to difficulties to export. Bolivia's main cotton export market was Peru, but since Peru switched to U.S. cotton due to lower prices, freight and better quality, Bolivian cotton producers are having a difficult time exporting cotton. The local industry uses only about 8,000 MT of Bolivian cotton.

Year	Harvested Area (1000 hectares)	Yields (MT/Ha)	Production (1000 MT)
1999/2000	5	10	50
2000/2001	9	5	45
2001/2002	8	10	80
2002/2003	7	9	65
2003/2004	4	9	40

## Sugar

Bolivia is expected to harvest 92,000 hectares of sugar cane during 2004, increasing three percent compared to the previous year. With average yields at around 42 MT per hectare, sugar cane production is forecast at 386,000 MT for CY 2004. Sugar cane is mainly grown in the Santa Cruz region. With four sugar mills with capacity to process 3.09 million metric tons of cane per year, Santa Cruz accounts for 84 percent of the country's milling capacity. Most of the sugar production is for local use, with per capita consumption of 23 kilograms per annum. Bolivia is expected to maintain its sugar exports at about \$20 million in 2004.

## Livestock

### *Beef*

With a national herd of about 7.5 million head, that is almost one beef animal per Bolivian. Beef cattle production is the second largest agricultural industry in Bolivia. Beef production for 2004 is forecast at about 220,000 MT carcass weight basis. Except for small quantities exported to Peru, most of the beef production is consumed in-country, which explains the relatively high per capita consumption of 17 kilograms per annum.

Cattle are mainly raised in the lower areas of the country in the Beni and Santa Cruz region. Because of its proximity to Brazil, Bolivia's cattle production is influenced greatly, both in management style and genetics, by its neighbor. At least 75 percent of the cattle raised in Bolivia are Zebu breeds.

## *Dairy*

The national dairy herd is estimated at 180,000 head, of which only 65,000 head are dairy breeds and the rest are dual purpose cattle. Fluid milk production is estimated at 210,000 MT for 2004. With only 24 kilograms a year, per capita milk consumption is one of the lowest in the region, and far below FAO's minimum requirement of 120 kilograms per annum.

Dairy cattle are mainly raised in the high plains of the Andes, in the Cochabamba and La Paz region. There are three major processing plants. These former state-owned plants have been privatized in the last four years. The three of them, La Paz with a capacity of 30,000 kilograms per day, Cochabamba with a capacity of 150,000 kilograms per day and Santa Cruz with a capacity of 250,000 kilograms per day are owned by the largest Peruvian milk processor, Gloria. The total processing capacity in the country is about 460,000 kilograms per day, actual production is about one half of that. There are three smaller processing plants in country owned by producers.

In an effort to increase milk consumption, the GOB has implemented a "pre-maternal and lactation subsidy" by which every worker or worker's wife is able to collect from their employer a "minimum wage" value of dairy products for 20 months, beginning at the fourth month of pregnancy. The employing company is responsible for the purchase of the 55 dollar dairy basket from the processing plants. This program has produced a black market for dairy products, many employers are buying back the products from their workers at a lower price, as workers prefer to receive cash instead of products. At the same time, processing plants have to compete to capture new companies to provide this service, which has created a new source of corruption.

## **Poultry**

The poultry industry is located mainly in Santa Cruz and Cochabamba and is only a minor player in the Bolivian agricultural sector. With a production of about 35 million chickens per year and 198 million table-eggs, Cochabamba accounts for 63 percent and 32 percent, respectively, of the country's production. Santa Cruz produces 16 million chickens and 395 million table-eggs per year, accounting for 29 percent and 63 percent of the country's production respectively.

Because of beef's low cost, Bolivians have not developed a major habit for consuming poultry meat. Per capita consumption of chicken is about 14 kilograms per annum and table-egg consumption 86 units per annum. There are no exports.

## **Coffee**

Bolivia is expected to harvest 21,000 MT of coffee during CY 2004 of which about 6,000 MT is exported. Coffee only accounts for about three percent of Bolivian agricultural exports. Coffee in Bolivia is grown in the highlands on the eastern slopes of the Andes Mountains. The area harvested is forecast at about 20,000 hectares for 2004, yields are about 910 kilograms per hectare.

## Country Data

Population:                1992 6,420,792 (census)  
                                 2001 8,274,325 (census)  
                                 2002 8,501,041 (estimated)  
                                 2005 9,231,671 (projected)

Self-declared indigenous population: 62% (2001 census)

Population Growth Rate 1992-2001 (a): 2.74%.

Distribution: Roughly 62 percent of the population lives in urban areas.

Religion: Catholicism is the dominant religion; freedom of religion exists.

Government System: Representative democracy. Executive, legislative and judicial branches are separate. The President is elected every five years; the upper and lower houses of the bicameral Congress are elected every five years; the judiciary is appointed by executive branch, with Supreme Court judges appointed for ten years.

Languages: Spanish (official), Aymara, Quechua and other native tongues.

Source: *National Institute of Statistics (INE)*.

## Domestic Economy

	<b>2001</b>	<b>2002</b>	<b>2003</b> (projected)
GDP (USD million)	7981	7960	7549
GDP growth (%)	1.2	2.5	3.0
GDP per capita (USD)	977	953	918
Govnt. spending (%GDP)	32.7	33.4	33.6
Inflation (%)	0.9	2.4	2.8
Unemployment rate	8.0	8.5	8.7

Sources: *National Institute of Statistics (INE); Central Bank of Bolivia; U.S. Embassy, La Paz.*